

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 1999-329-C - ORDER NO. 1999-804
NOVEMBER 17, 1999

IN RE: Application of Frontier Local Services, Inc.)	ORDER APPROVING
for a Certificate of Public Convenience and)	EXPEDITED REVIEW
Necessity to Provide Local Exchange)	AND GRANTING
Telecommunications Services within the State)	CERTIFICATE TO
of South Carolina and for Flexible)	PROVIDE LOCAL
Regulation.)	EXCHANGE SERVICES

This matter comes before the Public Service Commission of South Carolina ("the Commission") by way of the Application of Frontier Local Services, Inc. ("FLSI" or the "Company") for authority to provide local exchange service within the State of South Carolina and by way of the Company's Motion for Expedited Review of Application. The Applicant requests authority to provide local exchange service within South Carolina and also requests that the Commission regulate its local telecommunications services in accordance with the principles and procedures established for flexible regulation in Order No. 98-165 in Docket No. 97-467-C. The Application was filed pursuant to S.C. Code Ann. § 58-9-280 and the Regulations of the Commission.

By letter, the Commission's Executive Director instructed FLSI to publish, one time, a prepared Notice of Filing in newspapers of general circulation in the areas affected by the Application. The purpose of the Notice of Filing was to inform interested parties of the manner and time in which to file the appropriate pleadings for participation

in the proceedings. FLSI complied with this instruction and provided the Commission with proof of publication of the Notice of Filing. A Petition to Intervene was received from the South Carolina Telephone Coalition (“SCTC”).

On September 30, 1999, counsel for SCTC filed with the Commission a Stipulation in which FLSI stipulated that it would only seek authority in non-rural local exchange (“LEC”) service areas of South Carolina and that it would not provide any local service to any customer in a rural incumbent’s service area, unless and until FLSI provided written notice of its intent prior to the date of the intended service. FLSI also stipulated that it was not asking the Commission to make a finding at this time regarding whether competition is in the public interest for rural areas. FLSI agreed to abide by all State and Federal laws and to participate to the extent it may be required to do so by the Commission in support of universally available telephone service at affordable rates. The SCTC withdrew its opposition to the granting of a statewide Certificate of Public Convenience and Necessity to FLSI provided the conditions contained in the Stipulation are met. The Stipulation is approved, incorporated as a part of this Order, and attached hereto as Order Exhibit 1.

On October 1, 1999, FLSI filed its Motion for Expedited Review of its Application and served the Motion on all parties. No opposition to the Motion was received by the Commission. In support of its Application and Motion for Expedited Review, the Company submitted the verified testimony of Michael J. Nighan, Director of Regulatory Affairs for FLSI. The purpose of Nighan’s testimony was to provide evidence on the financial, technical, and managerial abilities of FLSI to provide local

telecommunications services in South Carolina, to describe the services which FLSI proposes to offer, and to discuss the proposed tariff of FLSI.

The Commission, in its regularly scheduled Commission Meeting on October 12, 1999, considered FLSI's Motion for Expedited Review. The Commission recognizes that FLSI is a subsidiary of Frontier Corporation ("Frontier") and that several Frontier subsidiaries are certified to provide telecommunications services in South Carolina.¹ In support of its Motion for Expedited Review, FLSI submits that it has presented the information required under S.C. Code Ann. § 58-9-280(B) (Supp. 1998) in its application and the verified testimony attached to the Motion. Further, FLSI offers that the stipulation with the SCTC settled the only intervention in the docket thus rendering a hearing on this matter unnecessary. Upon consideration of FLSI's Motion for Expedited Review, the Commission finds it appropriate to grant the Motion for Expedited Review. As the only intervention in the docket was settled by the Stipulation with the SCTC and as no opposition to FLSI's Motion for Expedited Review was received, the Commission finds that FLSI's Motion for Expedited Review should be granted. By its Motion for Expedited Review, FLSI has waived all rights to a full evidentiary hearing and requests that the Commission consider the Application in the context of the regularly scheduled

¹ Frontier Communications, formerly Allnet Communications Services Inc. ("FCS") was granted authority to provide resale interexchange telecommunications services in South Carolina by Order No. 91-753 (August 30, 1991), Docket No. 91-335-C. Frontier Communications International Inc., formerly RCI Long Distance, Inc. ("FCI") was granted authority to provide interexchange and operator-assisted services in South Carolina by Order No. 94-595 (June 22, 1994), Docket No. 94-208-C. Frontier Communications of the West, formerly West Coast Telecommunications, Inc. ("FCW"), was granted authority to provide resale interexchange telecommunications services in South Carolina by Order No. 93-1024 (November 8, 1993), Docket No. 93-375-C. Budget Call Long Distance, Inc. provides casual calling services as a long distance reseller and was granted authority in South Carolina by Order No. 95-1519 (September 14, 1995), Docket No. 95-829-C. Frontier Telemanagement Inc. provides purely resold local services in South Carolina and was certified by Order No. 98-19 (January 13, 1998), Docket No. 97-445-C.

Commission meeting. The Commission will consider FLSI's Application in the Commission Meeting, and the Commission's discussion and deliberation in the presence of a court reporter and with verified testimony of the witness will be deemed a hearing for the purposes of consideration of the Application.

DISCUSSION

S.C. Code Ann. § 58-9-280 (Supp. 1998) provides that the Commission may grant a certificate to operate as a telephone utility...to applicants proposing to furnish local telephone service in the service territory of an incumbent LEC.

After full consideration of the applicable law, FLSI's application, the Motion for Expedited Review of the Application, and evidence submitted by FLSI, the Commission finds and concludes that the Certificate sought by FLSI should be granted. The Commission's determination is based on the following criteria as provided in S.C. Code Ann. §58-9-280 (Supp. 1998) and the evidence submitted in support of the motion which relates to that criteria:

1. The Commission finds that FLSI possesses the technical, financial, and managerial resources sufficient to provide the services requested. S.C. Code Ann. § 58-9-280(B)(1) (Supp. 1998). Mr. Nighan's testimony reveals FLSI is a Michigan corporation that is qualified to conduct business within the State of South Carolina as evidenced by the Certificate of Authorization from the Secretary of State of South Carolina. (See, Exhibit A of Application of FLSI.) The record reveals that FLSI proposes to offer local dial tone services to customers throughout the State of South Carolina and that such services will be comparable to and competitive with services offered by the

incumbent LECs. According to the testimony of Mr. Nighan, FLSI is a wholly owned subsidiary of Frontier Corporation (“Frontier”), a publicly held New York corporation. Frontier, with its subsidiaries, is one of the largest local exchange service providers in the United States and includes 34 regulated telephone operating subsidiaries in 13 states. Frontier is also the nation’s seventh largest long distance carrier with revenues of approximately \$1.9 billion in 1998.

Regarding FLSI’s financial resources, Mr. Nighan offered that the FLSI has ample resources for the successful provision of its telecommunications services. According to Mr. Nighan, FLSI and its parent company have ample cash flow and capital to expand into the CLEC market in South Carolina. With regard to managerial and technical resources, Mr. Nighan stated that FLSI belongs to the Frontier family of companies with operations providing local and long distance services nationwide and FLSI will be able to draw on the vast experience of the Frontier corporation. Additionally, Mr. Nighan offered that Frontier operates over 208,000 access lines in CLEC operations alone.

Based on the undisputed testimony of witness Nighan, the Commission finds that FLSI possesses the technical, financial, and managerial resources sufficient to provide the services requested.

2. The Commission finds that FLSI will provide services which will meet the service standards of the Commission. S.C. Code Ann. § 58-9-280 (B)(2) (Supp. 1998). FLSI’s Application for authority states that FLSI’s services will satisfy the minimum standards established by the Commission. Based on the undisputed evidence of record,

the Commission believes, and so finds, that FLSI will provide telecommunications services that will meet the service standards of the Commission.

3. The Commission finds that FLSI's "provision of service will not adversely impact the availability of affordable local exchange service." S.C. Code Ann. § 58-9-280 (B)(3) (Supp. 1998). By its Application, FLSI states that its entry into the local market will not disadvantage any telephone service providers. Further, FLSI affirmatively states that its provision of services will not adversely impact the availability of affordable local exchange service. Therefore, based on the undisputed evidence of record, the Commission finds that provision of local exchange services by FLSI will not adversely impact affordable local exchange service.

4. The Commission finds FLSI will support universally available telephone service at affordable rates. S.C. Code Ann. § 58-9-280 (B)(4) (Supp. 1998). FLSI agreed in the Stipulation with the SCTC to participate in the support of universally available telephone service at affordable rates as required by State and Federal laws and as required by the Commission's Rules and Regulations. Additionally, FLSI acknowledged in its Application that it would participate in the support of universally available telephone service at affordable rates, to the extent required to do so by the Commission. Based on the undisputed evidence of record, the Commission finds that FLSI will participate in support of universally available telephone service at affordable rates.

5. The Commission finds that the provision of local exchange service by FLSI "does not otherwise adversely impact the public interest." S.C. Code Ann. § 58-9-280 (B)(5) (Supp. 1998). Mr. Nighan's testimony indicates that approval of FLSI's

application will benefit South Carolina customers. According to Mr. Nighan, FLSI's entry into the local market will increase the level of competition in South Carolina thus encouraging growth and success of competitive services.

Therefore, based on the findings above, the Commission finds and concludes that a Certificate of Public Convenience and Necessity to provide local exchange telecommunications services within the non-rural areas of South Carolina should be granted to FLSI.

IT IS THEREFORE ORDERED THAT:

1. The Application of FLSI for a Certificate of Public Convenience and Necessity to provide competitive intrastate local exchange services within the State of South Carolina is approved, subject to the stipulation between FLSI and the SCTC. The terms of the Stipulation between FLSI and SCTC are approved and adopted as a portion of this Order. Any proposal to provide local services to rural service areas is subject to the terms of the Stipulation. Thus, FLSI is authorized to provide competitive local exchange services in non-rural areas in South Carolina without notice to any incumbent rural LEC, and FLSI may provide competitive local exchange services only upon written notice as provided in the Stipulation in any incumbent rural LEC's service area.

2. FLSI shall file, prior to offering local exchange service in South Carolina, a final tariff of its service offerings conforming to all matters discussed with the Staff, and comporting with South Carolina law in all matters.

3. FLSI shall, in compliance with Commission regulations, designate and maintain an authorized utility representative who is prepared to discuss, on a regulatory

level, customer relations (complaint) matters, engineering operations, and tests and repairs. In addition, FLSI shall provide to the Commission in writing the name of the authorized representative to be contacted in connection with general management duties as well as emergencies which occur during non-office hours. FLSI shall file with the Commission the names, addresses, and telephone numbers of those representatives within thirty (30) days of receipt of this Order. (Attachment A shall be utilized for the provision of this information to the Commission.) Further, FLSI shall promptly notify the Commission in writing if the representatives are replaced.

4. FLSI shall conduct its business in compliance with Commission decisions and Orders, both past and future, including but not limited to, any and all Commission decisions which may be rendered in Docket No. 96-018-C regarding local competition.

5. FLSI's local telecommunications services shall be regulated in accordance with the principles and procedures established for flexible regulation first granted to NewSouth Communications by Order No. 98-165 in Docket No. 97-467-C. Specifically, the Commission adopts a rate design for FLSI's local service offerings which permits FLSI to file its a schedule of maximum rates along with a price list reflecting the actual prices being charged. With regard to FLSI's local exchange service tariff filings, FLSI's local exchange service tariff filings shall be presumed valid upon filing, subject to the Commission's right within thirty (30) days to institute an investigation of the tariff filing. If the Commission institutes an investigation of a tariff filing, then the tariff filing will be suspended until further Order of the Commission. Further, any such tariff filings will be

subject to the same monitoring process as similarly situated competitive local exchange carriers.

6. FLSI shall file annual financial information in the form of annual reports and gross receipt reports as required by the Commission. The annual report and the gross receipt report will necessitate the filing of intrastate information. Therefore, FLSI shall keep financial records on an intrastate basis to comply with the annual report and gross receipt filings.

7. By its Application, FLSI requested waivers from Commission requirements (1) of maintaining its books and records in conformance with the Uniform System of Accounts, (2) of publishing a directory, and (3) of any reporting requirements which are not applicable to competitive providers such as FLSI because such requirements are not consistent with the demands of the competitive market or they constitute an undue burden on a competitive provider requiring an ineffective allocation of resources. FLSI also requested a waiver from the Commission requirement of maintaining its books and records in the State as required by 26 S.C. Regs. 103-610. Upon consideration of FLSI's request for waivers, the Commission grants waivers from any requirement (1) of maintaining books and records in conformance with the Uniform System of Accounts, (2) of publishing a directory, and (3) of maintaining its books and records in the State. The Commission denies FLSI's request for waiver of reporting requirements.

With regard to the request for the waiver of maintaining books and records in accordance with the Uniform System of Accounts, the Commission acknowledges that

FLSI states that it keeps records in accordance with Generally Accepted Accounting Principles (“GAAP”). Further the Commission finds that maintaining books and records in accordance with GAAP provides a reliable method by which the Commission may evaluate FLSI’s operations. Therefore, the Commission authorizes FLSI to maintain its books and records in accordance with GAAP instead of the Uniform System of Accounts.

FLSI also requested a waiver of the requirement of 26 S.C. Regs. 103-631 which requires LECs to publish local telephone directories. FLSI informs the Commission that it will arrange with the incumbent LEC (“ILEC”) for the publishing of FLSI’s customer numbers in the ILEC’s directory. The Commission finds that FLSI’s request for a waiver of S.C. Reg. 103-631 requiring FLSI to publish local telephone directories should be waived as long as FLSI provides for its customer numbers to be published in the ILEC’s telephone directory.

FLSI also requested a waiver of 26 S.C. Reg. 103-610 which requires all records required by the Commission to be kept within the State. Mr. Nighan stated that the main offices of FLSI are located in the State of New York and further testified that maintaining its books and records in South Carolina would be unduly burdensome. Further, Mr. Nighan stated that FLSI would have a registered agent within South Carolina and would bear any costs associated with the Commission’s inspection of the books and records. Upon consideration of this request, the Commission finds that FLSI has demonstrated good cause for a waiver of 26 S.C. Reg. 103-610 and hereby grants the requested waiver. However, FLSI shall make its books and records available to the Commission and/or the Commission Staff as required by the Commission.

FLSI also requested a waiver of certain reporting requirements not applicable to competitive carriers. The Commission denies the Company's request of waiver of reporting requirements. FLSI did not indicate with any specificity which reporting requirements from which it seeks a waiver. As such, FLSI's request is overly broad. FLSI is expected and required to make all reporting requirements that the Commission requires of all competitive local providers.

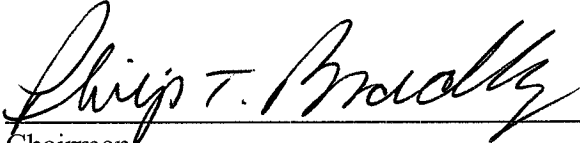
Further, FLSI is directed to comply with all regulations of the Commission unless a regulation is expressly waived by the Commission.

8. Title 23, Chapter 47, South Carolina Code of Laws Ann., governs the establishment and implementation of a "Public Safety Communications Center," which is more commonly known as a "911 system" or "911 service." Services available through a 911 system include law enforcement, fire, and emergency medical services. In recognition of the necessity of quality 911 services being provided to the citizens of South Carolina, the Commission hereby instructs FLSI to contact the appropriate authorities regarding 911 service in the counties and cities where the Company will be operating. Contact with the appropriate 911 service authorities is to be made before beginning telephone service in South Carolina. Accompanying this Order is an information packet from the South Carolina Chapter of the National Emergency Number Association ("SC NENA") with contact information and sample forms. The Company may also obtain information by contacting the E911 Coordinator at the Office of Information Resources of the South Carolina Budget and Control Board. By this Order and prior to providing services within South Carolina, FLSI, shall contact the 911

Coordinator in each county, as well as the 911 Coordinator in each city where the city has its own 911 system, and shall provide information regarding the Company's operations as required by the 911 system.

9. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

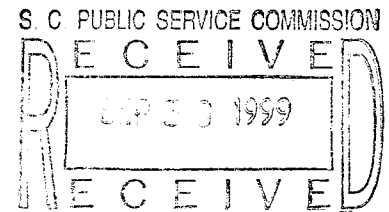

Chairman

ATTEST:


Executive Director

(SEAL)

BEFORE
THE PUBLIC SERVICE COMMISSION
OF
SOUTH CAROLINA



Docket No. 1999-329-C

Re: Application of Frontier Local Services, Inc.)
for a Certificate of Public Convenience and)
Necessity to Provide Local Exchange)
Telecommunications Services in the State)
of South Carolina)

STIPULATION

The South Carolina Telephone Coalition ("SCTC") (see attachment "A" for list of companies) and Frontier Local Services, Inc. ("Frontier") hereby enter into the following stipulations. As a consequence of these stipulations and conditions, the necessity for SCTC's intervention in this matter is avoided and SCTC withdraws its opposition to Frontier's Application. SCTC and Frontier stipulate and agree as follows:

1. SCTC does not oppose the granting of a statewide Certificate of Public Convenience and Necessity to Frontier, provided the South Carolina Public Service Commission ("Commission") makes the necessary findings to justify granting of such a certificate, and provided the conditions contained within this stipulation are met.

2. Frontier stipulates and agrees that any Certificate which may be granted will authorize Frontier to provide service only to customers located in non-rural local exchange company ("LEC") service areas of South Carolina, except as provided herein.

3. Frontier stipulates that it is not asking the Commission to make a finding at this time regarding whether competition is in the public interest for rural areas.

4. Frontier stipulates and agrees that it will not provide any local service, by its own facilities or otherwise, to any customer located in a rural incumbent LEC's service area, unless and until Frontier provides such rural incumbent LEC and the Commission with written notice of its intent to do so at least thirty (30) days prior to the date of the intended service. During such notice period, the rural incumbent LEC will have the opportunity to petition the Commission to exercise all rights afforded it under Federal and State law. Also, Frontier acknowledges that the Commission may suspend the intended date for service in rural LEC territory for ninety (90) days while the Commission conducts any proceeding incident to the Petition or upon the Commission's own Motion, provided that the Commission can further suspend the implementation date upon showing of good cause.

5. Frontier stipulates and agrees that if Frontier gives notice that it intends to serve a customer located in a rural incumbent LEC's service area, the Commission receives a Petition from the rural incumbent LEC to exercise its rights under Federal or State law, or the Commission institutes a proceeding of its own, then Frontier will not provide service to any customer located within the service area in question without prior and further Commission approval.

6. Frontier acknowledges that any right which it may have or acquire to serve a rural telephone company service area in South Carolina is subject to the conditions contained herein, and to any future policies, procedures, and guidelines relevant to such proposed service which the Commission may implement, so long as such policies, procedures, and guidelines do not conflict with Federal or State law.

7. The parties stipulate and agree that all rights under Federal and State law are reserved to the rural incumbent LECs, and this Stipulation in no way suspends or adversely affects such rights, including any exemptions, suspensions, or modifications to which they may be entitled.

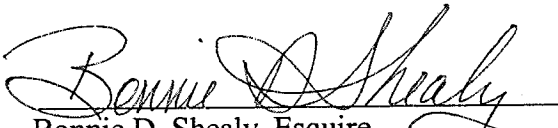
8. Frontier agrees to abide by all State and Federal laws and to participate, to the extent it may be required to do so by the Commission, in the support of universally available telephone service at affordable rates.

9. Frontier hereby amends its application and its prefiled testimony in this docket to the extent necessary to conform with this Stipulation.

AGREED AND STIPULATED to this 28th day of September, 1999.

Frontier Local Services, Inc.

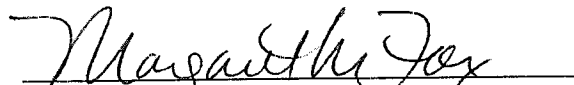
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Attorneys for the South Carolina Telephone Coalition

ATTACHMENT A

South Carolina Telephone Coalition Member Companies for Purposes of Local Service Stipulation

ALLTEL South Carolina, Inc.
Bluffton Telephone Company, Inc.
Chesnee Telephone Company
Chester Telephone Company
Farmers Telephone Cooperative, Inc.
Ft. Mill Telephone Company
Hargray Telephone Company, Inc.
Heath Springs Telephone Company Inc.
Home Telephone Company, Inc.
Lancaster Telephone Company
Lockhart Telephone Company
McClellanville Telephone Company
Norway Telephone Company
Palmetto Rural Telephone Cooperative, Inc.
Piedmont Rural Telephone Cooperative, Inc.
Pond Branch Telephone Company
Ridgeway Telephone Company
Rock Hill Telephone Company
Sandhill Telephone Cooperative, Inc.
St. Stephen Telephone Company
West Carolina Rural Telephone Cooperative, Inc.
Williston Telephone Company

DOCKET NO. 1999-329-C ORDER NO. 1999-804
November 19, 1999
ATTACHEMENT A

**INFORMATION OF THE AUTHORIZED UTILITY
REPRESENTATIVES FOR INTEREXCHANGE, LOCAL
AND AOS COMPANIES**

PURSUANT TO SOUTH CAROLINA PUBLIC SERVICE COMMISSION
REGULATION 103-612.2.4(b), each utility shall file and maintain with the Commission
the name, title, address, and telephone number of the persons who should be contacted in
connection with Customer Relations/Complaints.

Company Name & DBA Name

Business Address

City, State, Zip Code

Authorized Utility Representative (Please Print or Type)

Telephone Number

Fax Number

E-Mail Address

Customer Toll Free Contact No.

This form was completed by

Signature

If you have any questions, contact the Consumer Services Dept. at (803) 896-5230

Please return the above form to: The Public Service Commission of South Carolina
P.O. Drawer 1164
Columbia, SC 29211